



April 30, 2009

To the Citizens of Lake County:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Lake County for the fiscal year ended November 30, 2008.

This report consists of management's representations concerning the finances of Lake County. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the county. To provide a reasonable basis for making these representations, management of Lake County has established a comprehensive internal control framework that is designed to protect the county's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the county's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, Lake County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the government. All disclosures necessary to enable the reader to gain an understanding of the county's financial activities have been included.

Lake County's financial statements have been audited by Virchow Krause and Co., LLP a firm of licensed certified public accountants. The goal of the independent audit is to provide a reasonable assurance that the financial statements of Lake County for the fiscal year ended November 30, 2008 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report.

COUNTY-WIDE FINANCIAL STATEMENTS

The county is required to prepare the statements in accordance with the requirements of the Governmental Accounting Standards Board (GASB). The county is required to present the government-wide financial statements including all the capital assets and infrastructure owned by the county and all debt owed by the county. Lake County has two component units, Lake County Forest Preserve District (LCFPD) and the Lake County Emergency Telephone System Board (ETSB) that are presented as blended units in the financial statements.

The comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the government's organizational chart, a list of the elected officials, and the Government Finance Officer's Certificate of Achievement. The financial section includes the independent auditors' report, the management's discussion and analysis, basic financial statements, required supplementary information, the combining statements and combining statement of fiduciary assets and liabilities. The statistical section includes selected financial and demographic information and, where available, is presented in a 10-year financial history of the county.

GASB requires that management provide a discussion and analysis to accompany the financial statements. This transmittal letter complements management's discussion and analysis (MD&A), and should be read in conjunction with it. The purpose of this letter of transmittal is to provide an overview of the county and its operations. For detailed financial information and analysis please see the MD&A. The MD&A can be found on page xvi in the financial section of this report immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

Lake County is located in the northeast corner of Illinois, midway between the cities of Chicago, Illinois and Milwaukee, Wisconsin. It adjoins Wisconsin, Lake Michigan, Cook County, and McHenry County. The county's 457 square miles of land contains a population of 735,744, and is the third largest county in Illinois.

Lake County was created by the Illinois legislature in 1839 and operates under a County Board form of government. Policy-making and legislative authority is vested in 23 members elected from individual districts.

The county provides a full range of public governmental services. These services include sheriff's police protection and correctional facilities; water and sewer services; the construction and maintenance of highway and street infrastructure; health and welfare services; judicial services of the Nineteenth Judicial Circuit Court; planning and zoning and general administrative services. This audit also includes the financial information of the Lake County Forest Preserve District (LCFPD) and the Lake County Emergency Telephone System Board (ETSB), although these entities have separate governing structures. For financial reporting purposes this report does blend the financial information of the LCFPD and the ETSB into Lake County's financial information, as required by Generally Accepted Accounting Principles (GAAP). The LCFPD and the ETSB have external audits completed and publish their financial statements separately. These audits are available from the respective agencies.

ECONOMIC CONDITION AND OUTLOOK

The economic condition and outlook of Lake County is a guarded one in these current economic times. Lake County has experienced the economic downturn similar to the rest of the state and country. During the last year the total property values in the county rose at a rate of 5.56 % as a result of new construction as well as the increase in the value of existing properties. Although the EAV has continued to grow, as evidenced by the chart below, it is growing by a much lower rate than previous years. Based on current projections, the EAV is not expected to rise significantly in the near term.

Equalized Assessed Evaluation 5 year % Increases (in 1,000s)

	2004	2005	2006	2007	2008
EAV	22,998,688	25,169,721	27,319,237	29,335,375	30,967,837
% increase	6.75%	9.44%	8.54%	7.37%	5.56%

The county has a varied manufacturing and industrial base that adds to the relative stability of the county. Business activity within the county is diverse, including the home of the only Navy basic training base in the United States, an amusement park, and numerous varied manufacturing firms, real estate developers, retail stores and service providers. As demonstrated by the 10-year chart, until 2006, the county's unemployment rates have been lower than the state and national averages. However at the end of 2008 Lake County's unemployment rate is higher than both the State of Illinois and the national average.

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Lake County	3.40%	3.60%	4.60%	5.70%	6.00%	5.50%	4.50%	4.20%	5.00%	8.30%
Illinois	4.00%	4.30%	5.70%	6.30%	6.30%	5.80%	5.00%	5.70%	5.00%	7.40%
US	4.20%	4.00%	4.70%	5.80%	6.00%	5.50%	5.10%	4.50%	4.60%	7.20%

The county continues its annual contract supporting Lake County Partners, a non-profit corporation whose mission is to maintain a healthy business environment in Lake County through retention and expansion of businesses as well as economic and workforce development. As explained below economic development is part of the County Board Strategic Plan.

Because of conservative budget policies, healthy fund balances and low outstanding debt, Lake County feels it will continue to be able to provide the same services to its constituents as it has before the current economic slowdown.

STRATEGIC PLANNING

Short-Term Strategic Plan

The Lake County Board conducts strategic planning sessions every two years. The County Board adopted a Strategic Plan in 2008 that identified short-term priorities to address over the next two to three years. Those key areas include: transportation, criminal justice, drinking water and economic development. The 2009 budget, approved in 2008, funded activities related to these four areas, along with new initiatives consistent with the County Board's primary goals. Progress continues to be made in areas that will have long-lasting benefits to the community.

Long-Term Strategic Plan

In spring 2008, the County Board held six community forums to obtain public input on what they wanted the future of Lake County to be and what the county should do to achieve the quality of life they envisioned. The Board listened and used the input from the forums to develop its long-term strategic plan, which identifies a mission, vision, values and strategic goals that will help guide Lake County's future. Those goals are:

- Enhance Livability and Economic Opportunities
- Promote Positive Health and Well-Being
- Strive to Ensure Public Safety
- Promote a Sustainable Environment
- Reduce Congestion and Improve the Transportation Systems in Lake County

The Board met in winter 2009 to discuss and provide direction on the long-term strategies. Departments are currently in the process of developing the specific strategies and actions to achieve these goals. The objective is to merge the short-term plan into the long-term plan that the Board will use as a guide to develop policy and deliver services in the future. The Board is expected to approve this plan in spring 2009.

MAJOR INITIATIVES FOR THE CURRENT YEAR AND THE FUTURE

The county began, continued or completed the following initiatives:

- In 2008, the county developed a plan entitled, "Strategies for a Sustainable Lake County" that outlined several programs and initiatives that will enhance Lake County's environmental sustainability. The county conducted a waste audit of facilities to identify ways to reduce waste and increase recycling. The county is currently performing a comprehensive energy audit to address long-term energy reduction opportunities.
- The Criminal Justice Coordinating Committee is a partnership of representatives from local governments along with education and social service agencies who research, plan, and develop innovative solutions to the criminal justice challenges. During 2008, the committee continued its partnership with the United Way and other social service agencies to make the newly integrated web resource, www.findhelplakecounty.org, more robust. The committee also focused on job readiness training and expanding employment opportunities for ex-offenders. The CJCC members participate in and support a 5-week job readiness training program for ex-offenders called the Repatriot Program.

- Integrated Justice - Work continued on the development of the county's integrated justice system. Design and the exchange class diagrams for the Public Defender Case Management System are complete, the incident exchange system between the Sheriff and the Circuit Clerks' offices is in test phase, the emergency order of protection web application and design is complete and a prototype approved, the Sheriff's VisionMobile is being rolled out and various other inter departmental applications are also being approved and developed.
- Remodeling of the Public Defender's Office located at 15 South County Street began in October 2008. To complete this project staff have been relocated to leased space also convenient to the courthouse. The project provides comprehensive remodeling for this 20,000 square foot facility including HVAC replacement, lighting upgrades and near complete plumbing replacement. Construction is scheduled to be completed in August of 2009. This facility will house 40 county employees.
- A new branch court located in Park City opened in September of 2008. The newly constructed building replaces a court facility located in leased space in the City of Waukegan. This facility is the third branch court building constructed by the county in the last five years and is the final facility required to transition the branch court function from leased space to county owned buildings. In planning for the future, the facility includes the ability to expand to three courtrooms.
- Construction of the Central Permit Facility and Consolidated Environmental Laboratory began in August of 2008. This facility will provide the constituents of Lake County a single, convenient location to visit for permitting projects. This one-stop shop will house regulatory functions of Planning, Building and Development, Environmental Health Services and the Lake County Stormwater Management Commission. In addition to this, the facility will consolidate two county environmental labs run by Public Works and Environmental Health Services. The building is scheduled for occupancy in December 2009.
- In August 2008 the Lake County Health Department began the construction of a new consolidated services facility on their Grand Avenue Campus in Waukegan. The proposed facility will provide office and counseling space for Behavioral Health Services and Community Health Services and will provide a central location to house the administrative functions of the department. The facility will also include a Health Clinic that will provide the department the ability to deliver convenient and efficient services to county residents visiting the Grand Avenue Campus. Construction is scheduled to be completed in 2009.
- In September 2007 the County Board approved the implementation of a transition plan to replace the current Skilled Nursing Care Facility, Winchester House. It is anticipated that the new facility will have a 175 bed capacity. The facility will reside on Lake County's Libertyville Campus. A contract for architectural design was approved in April 2009.
- In 2008 the State of Illinois passed legislation providing Lake County with an additional quarter percent sales tax for transportation and public safety. The county began collecting this tax in April 2008 and collected \$18 million in additional revenue in 2008. It is estimated the tax will provide an additional \$30 million annually. The Board approved a Six Year Highway Improvement Program totaling \$494 million. The plan identifies 104 projects that will be constructed over the next five years, including several large-scale highway capacity improvements.
- The Lake County Division of Transportation construction workforce undertook 19 new projects at a total cost of \$29 million. One of these, the Washington St. concrete pavement reconstruction & bridge rehabilitation project from IL Rte. 21 to US Rte. 41, is the single largest contract undertaken by LCDOT at \$16.6 million.
- The county, guided by a governing board, is the lead agency on a feasibility study to improve the traffic flow along Route 120 from the Lake-McHenry county line easterly to Green Bay Road.

- The county continues to develop the Intelligent Transportation System (ITS). This system interconnects the State-County-Municipal traffic signals. The system allows traffic to move more efficiently and communicate real-time traffic information to motorists. The Lake County project, known as Lake County PASSAGE, is ongoing and will continue to improve the optimal flow of traffic within the county and make more effective use of current infrastructure. During 2008 construction of the second phase of PASSAGE was started and is expected to be completed by the end of 2009. When implemented, phase II will connect 230 signalized intersections to the county's system and 80 LCTV cameras will be in use.

COUNTY BOARD INFORMATION

The County Board usually meets at 9 a.m. the second Tuesday of each month at the County Building, 18 N. County St., Waukegan, IL 60085. The Board has adjusted these meeting dates in its 2009 schedule. The final calendar as well as the current agenda, past minutes and agendas, and other county information including press releases, invitations to bid, and job announcements are posted on the internet at the county's web site at www.LakeCountyIL.gov. For additional information please call the County Board Office at (847) 377-2300, or write to Lake County Board, 18 North County St., Waukegan, IL 60085.

AWARDS AND ACKNOWLEDGEMENTS:

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Lake County for its comprehensive annual financial report (CAFR) for the fiscal year ended November 30, 2007. This is the second year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the county had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A certificate of achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the certificate requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

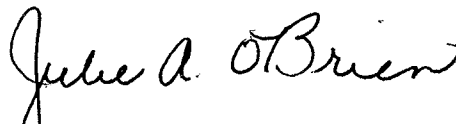
In addition the county also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated November 13, 2007. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide and a communications device.

The preparation of this report on a timely basis is a collaborative effort and would not have been accomplished without the dedicated and tireless services of Arnold Donato, Jeri Jordan-Woods and Dolly Chen of the Controller's staff. In addition, our appreciation is extended to the many staff members of the Department of Finance and Administrative Services and all departments that provided us with information necessary to compile these statements. Special thanks to the support of the county board, elected Officials, department heads and to the independent auditors who have all contributed to making the publication of this report possible.

Respectfully submitted,



Barry Burton
County Administrator



Julie A. O'Brien
Controller